

Quarterly Securities Report
Including Financial Statements
Under Japanese GAAP
For the Six Months
Ended September 30, 2016

Matsui Securities Co., Ltd.

1-4, Kojimachi, Chiyoda-ku, Tokyo, Japan

Filed with the Director of the Kanto Local Finance Bureau

On November 11, 2016

1 Company information

Part 1 Overview of company

1 Summary of business results

	Six months ended September 30, 2015	Six months ended September 30, 2016	Year ended March 31, 2016
Operating revenue (Millions of Yen)	18,540	13,747	34,435
Net operating revenue (Millions of Yen)	17,747	13,241	33,003
Ordinary income (Millions of Yen)	12,208	7,380	21,833
Net income (Millions of Yen)	8,625	5,105	14,763
Equity in earnings of affiliates if equity method is applied (Millions of Yen)	—	—	—
Capital stock (Millions of Yen)	11,945	11,945	11,945
Total number of issued shares (Shares)	269,264,702	259,264,702	259,264,702
Net assets (Millions of Yen)	92,950	92,516	92,718
Total assets (Millions of Yen)	744,866	632,966	663,425
Basic earnings per share (Yen)	33.59	19.89	57.50
Diluted earnings per share (Yen)	33.59	19.88	57.49
Dividend paid per share (Yen)	25.00	13.00	45.00
Equity-to-asset ratio (%)	12.5	14.6	14.0
Net cash provided by (used in) operating activities (Millions of Yen)	(6,620)	44,994	43,431
Net cash provided by (used in) investing activities (Millions of Yen)	190	(722)	(824)
Net cash provided by (used in) financing activities (Millions of Yen)	(181)	(51,881)	(48,147)
Cash and cash equivalents (Millions of Yen)	28,795	22,256	29,865

	Three months ended September 30, 2015	Three months ended September 30, 2016
Basic earnings per share (Yen)	17.76	8.87

2 Description of business

There have been no significant changes in the business of the Company in the six months ended September 30, 2016.

Part 2 Overview of business

1 Business risks

There have been no unusual changes in financial position, result of operations and cash flows of the Company in the six months ended September 30, 2016.

There have been no significant changes in the business risks described in the Annual Securities Report of the Company as of March 31, 2016.

2 Critical contracts for operation

There have been no new significant contracts in the three months ended September 30, 2016.

Part 3 Information about reporting company

1 Information about shares, etc.

(1) Total number of shares, etc.

[1] Total number of shares

Total Shares Authorized	
Common stock	1,050,000,000 shares
Total	1,050,000,000 shares

[2] Issued shares

	Total number of issued shares		Stock Exchange Listed at	Details
	As of September 30, 2016 (End of the quarterly period)	As of November 11, 2016 (Date of filing of this Report)		
Common stock	259,264,702 shares	259,264,702 shares	Tokyo Stock Exchange (First Section)	1 unit consists of 100shares
Total	259,264,702 shares	259,264,702 shares	—	—

(2) Subscription rights to shares, etc.

Subscription rights to shares issued in the three months ended September 30, 2016 are as follows.

Date of resolution	July 26, 2016
Number of subscription rights to shares (Units)	948
Number of treasury subscription rights to shares out of the total number of subscription rights to shares (Units)	—
Class of shares subject to subscription rights	Common stock
Number of shares subject to subscription rights (Shares)	1 94,800
Amount to be paid per share upon the exercise of each subscription rights to shares (Yen)	1
Exercise period for subscription rights to shares	2 From August 11, 2019 to August 10, 2022
Issuance price and amount credited to equity capital in the event of share issuance upon the exercise of subscription rights to shares (Yen)	3
Conditions for the exercise of subscription rights to shares	4
Matters concerning the transfer of subscription rights to shares	5
Matters concerning substitute payment	—
Matters concerning the grant of subscription rights to shares in connection with acts of reorganization	6

Note:

1. The number of shares to be issued upon exercise of subscription rights to shares is 100. The Company will adjust the number of shares to be issued in case it splits its shares, allots its shares without contribution and merges its shares. The Company will adjust the number of shares in case it acquires other companies, divides the corporation, exchange its shares with other companies' shares.
2. If the final day of the exercise period falls on a holiday of the Company, the final day shall be the working day immediately preceding the final day.
3. Issuance price of the subscription rights to shares to be exercised from August 11, 2019 is 738 yen per share. Issuance price of the subscription rights to shares to be exercised from August 11, 2020 is 721 yen per share. Issuance price of the subscription rights to shares to be exercised from August 11, 2021 is 704 yen per share. The amount of capital to be increased due to the issuance of shares upon exercise of the subscription rights to shares shall be a half of the maximum amount of capital increase, etc. which is calculated in accordance with Article 17, Paragraph 1 of the Corporation Accounting Regulations, and any fraction less than 1 yen arising from there shall be rounded up to the nearest 1 yen.
4. (i) Persons allotted subscription rights to shares are eligible to exercise only when they are active directors at the time of the exercise. However the Company may treat the rights of those who are out of the service of directors still effective when it finds reasonable grounds.
(ii) Persons allotted subscription rights to shares are eligible to exercise their rights as follows.
 - 1) From August 11, 2019 to August 10, 2020: Within one third of the number of rights originally allotted.
 - 2) From August 11, 2020 to August 10, 2021: Within two thirds of the number of rights originally allotted.
 - 3) From August 11, 2021 to August 10, 2022: All rights can be exercised.(iii) Each one right cannot be partially exercised.
(iv) Other conditions of exercise are specified in the contracts between the Company and the persons to be allotted subscription rights to shares.
5. The acquisition of the subscription rights to shares through assignment shall require the approval of the Board of Directors of the Company.
6. In case of corporate reorganization including merger, corporate division and exchange of shares, the reorganized company will allot subscription rights to shares to the persons who hold remaining rights according to the reorganization contracts. The terms of new rights will be determined in accordance with the remaining rights.

(3) Exercises, etc. of moving strike convertible bonds, etc.

No relevant items.

(4) Description of rights plan

No relevant items.

(5) Changes in number of issued shares, stated capital, etc.

	Issued shares (shares)		Capital Stock (Millions of Yen)		Legal capital surplus (Millions of Yen)	
	Change	Outstanding amount	Change	Outstanding amount	Change	Outstanding amount
From July 1, 2016 to September 30, 2016	—	259,264,702	—	11,945	—	9,793

(6) Major shareholders

(As of September 30, 2016)

Name	Address	Number of shares held (Thousands of shares)	Shareholding ratio (%)
Chizuko Matsui	Bunkyo-ku, Tokyo, Japan	41,821	16.13
Maruroku Ltd.	2-4-2, Nishikata, Bunkyo-ku, Tokyo, Japan	40,312	15.55
Shokosha Ltd.	2-4-2, Nishikata, Bunkyo-ku, Tokyo, Japan	36,622	14.13
The Master Trust Bank of Japan, Ltd. (Trust account)	2-11-3, Hamamatsucho, Minato-ku, Tokyo, Japan	19,134	7.38
Japan Trustee Services Bank, Ltd. (Trust account)	1-8-11, Harumi, Chuo-ku, Tokyo, Japan	9,912	3.82
Michitaro Matsui	Bunkyo-ku, Tokyo, Japan	7,762	2.99
Chiaki Matsui	Bunkyo-ku, Tokyo, Japan	7,762	2.99
Yuma Matsui	Bunkyo-ku, Tokyo, Japan	7,762	2.99
Michio Matsui	Bunkyo-ku, Tokyo, Japan	6,876	2.65
Trust & Custody Services Bank, Ltd. (Securities investment trust account)	Tower Z, Harumi Triton Square, 1-8-12, Harumi, Chuo-ku, Tokyo	3,668	1.41
Total	—	181,631	70.06

Note: Because the Company was not able to verify the number of shares held by The Master Trust Bank of Japan, Ltd. (Trust account), Japan Trustee Services Bank, Ltd. (Trust account) and Trust & Custody Services Bank, Ltd. (Securities investment trust account) for their trustee businesses, the Company does not show these numbers.

(7) Voting Rights

(i) Issued shares

(As of September 30, 2016)

	Number of shares	Number of voting rights
Shares without voting rights	—	—
Shares with limited voting rights (Treasury shares)	—	—
Shares with limited voting rights (Other than treasury shares)	—	—
Shares with full voting rights (Treasury shares)	(Treasury shares) Common stock 2,533,300	—
Shares with full voting rights (Other than treasury shares)	Common stock 256,715,700	2,565,951
Odd lot shares (1 lot = 100 shares)	Common stock 15,702	—
Total number of issued shares	259,264,702	—
Total number of voting rights	—	2,565,951

Note:

- 400 shares under the title of Japan Securities Depository Center Inc. and 120,600 shares of securities bought by customers using money loaned from the Company's own fund are included in "Shares with full voting rights (Other than treasury shares)." 4 voting rights under the title of Japan Securities Depository Center Inc. are included in "Shares with full voting rights (Other than treasury shares)." 1,206 voting rights of securities bought by customers using money loaned from the Company's own fund are not included in "Shares with full voting rights (Other than treasury shares)".
- 14 treasury shares are included in odd-lot shares.

(ii) Treasury shares, etc.

(As of September 30, 2016)

Name of shareholders	Address	Treasury shares held by the Company's own name	Treasury shares held by other person's name	Total Number of shares held	Shareholding ratio (%)
(Treasury shares held by the Company) Matsui Securities Co., Ltd.	1-4, Kojimachi, Chiyoda-ku, Tokyo, Japan	2,533,300	—	2,533,300	0.98
Total	—	2,533,300	—	2,533,300	0.98

2 Information about officers

Following is the change in the officers' title after June 20, 2016 when the Company filed its Annual Securities report for the year ended March 31, 2016. The Number of officers by gender after the Ordinary General Meeting of Shareholders held on June 26, 2016 is as follows.

Male: 12 Female: 0

New title	Former title	Name	Date of change
Managing Director (Managing Director of Compliance Dept. and System Dept.)	Managing Director (Director in charge of Compliance Dept. and Managing Director of System Dept.)	Takashi Moribe	June 26, 2016

Part 4 Financial information

1 Note on quarterly Financial Statements

Pursuant to Article 54 and 73 of the “Regulations of Quarterly Financial Statements” (Cabinet Office Ordinance No. 63, 2007), the quarterly financial statements of the Company are prepared in accordance with the “Cabinet Office Ordinance concerning Financial Instruments Business” (Cabinet Office Ordinance No. 52, 2007) and the “Uniform Accounting Standards of Securities Business” (set by the board of directors of the Japan Securities Dealers’ Association, November 14, 1974) along with the “Regulations of Quarterly Financial Statements”.

2 Note on independent audit

The quarterly financial statements for the three months ended September 30, 2016 (from July 1, 2016 to September 30, 2016) and six months ended September 30, 2016 (from April 1, 2016 to September 30, 2016) were reviewed by PricewaterhouseCoopers Aarata LCC in accordance with the Article 193-2-1 of Financial Instruments and Exchange Law.

3 Note on quarterly consolidated financial statements

The consolidated financial statements of the Company are not prepared for six months ended September 30, 2016 because there is not a subsidiary.

Notice to readers:

The accompanying quarterly non-consolidated financial statements have been prepared in accordance with the provision set forth in the Corporations Law of Japan, the Financial Instruments and Exchange Law, and in conformity with accounting principles and practices generally accepted in Japan, which are different from International Financial Reporting Standards in certain aspects of application and disclosure requirements.

The quarterly non-consolidated financial statements are not intended to present the financial position, results of operations and cash flows in accordance with accounting principles and practices generally accepted in countries or jurisdictions other than Japan.

1 Quarterly Financial Statements

[1] Quarterly Balance Sheet

(Millions of Yen)

	March 31, 2016	September 30, 2016
Assets		
Current Assets		
Cash and deposits	26,569	18,906
Cash segregated as deposits	375,812	384,612
Money held in trust	4,596	5,150
Trading products:	1,817	1,929
Trading securities and other	0	0
Derivatives	1,817	1,929
Trade date accrual	17	73
Margin transaction assets:	232,043	202,404
Loans on margin transactions	228,152	197,097
Cash collateral pledged for securities borrowing on margin transactions	3,890	5,307
Loans secured by securities:	7,869	4,661
Cash collateral pledged for securities borrowed	7,869	4,661
Advances paid	23	15
Short-term guarantee deposits	2,166	2,423
Other	4,312	4,624
Allowance for doubtful accounts	(7)	(99)
Total current assets	655,217	624,700
Non-current assets		
Property, plant and equipment	953	918
Intangible assets:	2,999	3,146
Software	2,999	3,146
Other	0	0
Investments and other assets:	4,256	4,202
Investment securities	3,119	2,840
Other	2,486	3,129
Allowance for doubtful accounts	(1,348)	(1,767)
Total non-current assets	8,208	8,266
Total assets	663,425	632,966

(Millions of Yen)

	March 31, 2016	September 30, 2016
Liabilities		
Current liabilities		
Trading products:	458	229
Derivatives	458	229
Margin transaction liabilities:	35,793	39,292
Borrowings on margin transactions	5,452	5,715
Cash received for securities lending on margin transactions	30,341	33,577
Loans payable secured by securities:	14,838	9,288
Cash received on debt credit transaction of securities	14,838	9,288
Deposits received	200,271	219,305
Guarantee deposits received	182,641	183,898
Accounts for non-received securities and others	44	—
Short-term loans payable	128,050	81,100
Income taxes payable	3,551	2,455
Provision for bonuses	248	83
Other	1,258	1,042
Total current liabilities	567,151	536,693
Non-current liabilities		
Long-term loans payable	—	200
Reserve for retirement bonuses for directors and auditors	204	204
Other	3	3
Total non-current liabilities	208	408
Reserves under special laws		
Reserve for financial products transaction liabilities	3,349	3,349
Total reserves under special laws	3,349	3,349
Total liabilities	570,707	540,449
Net assets		
Shareholders' equity		
Capital stock	11,945	11,945
Capital surplus	9,793	9,793
Retained earnings	70,793	70,764
Treasury shares	(1,915)	(1,915)
Total shareholders' equity	90,616	90,586
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	2,066	1,874
Total valuation and translation adjustments	2,066	1,874
Subscription rights to shares	37	56
Total net assets	92,718	92,516
Total liabilities and net assets	663,425	632,966

[2] Quarterly Statement of Income

(Millions of Yen)

	Six months ended September 30, 2015	Six months ended September 30, 2016
Operating revenue		
Commission received	11,798	8,435
Commission to consignees	11,112	7,912
Commission for underwriting, secondary distribution and solicitation for selling and others for professional investors consignees	0	—
Fee for offering, secondary distribution and solicitation for selling and others for professional investors	0	0
Other fees received	686	523
Net trading income	4	1
Financial revenue	6,735	5,309
Other operating revenue	3	3
Total operating revenue	18,540	13,747
Financial expenses	793	506
Net operating revenue	17,747	13,241
Selling, general and administrative expenses		
Trading related expenses	2,396	2,093
Personnel expenses	1,101	1,116
Real estate expenses	446	447
Office cost	860	874
Depreciation	568	634
Taxes and dues	160	189
Provision of allowance for doubtful accounts	(11)	511
Other	67	56
Total selling, general and administrative expenses	5,588	5,921
Operating income	12,159	7,320
Non-operating income		
Dividend income	40	55
Other	9	8
Total non-operating income	48	62
Non-operating expenses		
Other	0	3
Total non-operating expenses	0	3
Ordinary income	12,208	7,380
Extraordinary income		
Gain on sales of investment securities	1,012	—
Total extraordinary income	1,012	—
Extraordinary losses		
Provision of reserve for financial products transaction liabilities	347	—
Loss on sales and retirement of non-current assets	1	4
Total extraordinary losses	348	4
Profit before income taxes	12,872	7,376
Income taxes – current	4,227	2,306
Income taxes – deferred	19	(36)
Income taxes	4,247	2,271
Profit	8,625	5,105

[3] Quarterly Statement of Cash Flows

(Millions of Yen)

	Six months ended September 30, 2015	Six months ended September 30, 2016
Cash flows from operating activities		
Profit (loss) before income taxes	12,872	7,376
Depreciation	568	634
Increase (decrease) in allowance for doubtful accounts	(33)	510
Increase (decrease) in provision for bonuses	(142)	(165)
Increase (decrease) in reserve for financial products transaction liabilities	347	—
Interest and dividend income	(6,484)	(5,147)
Interest expenses	538	315
Loss (gain) on sales and retirement of non-current assets	1	4
Loss (gain) on sales of investment securities	(1,012)	—
Decrease (increase) in cash segregated as deposits	57,000	(8,800)
Net change in cash in trust	—	(500)
Decrease (increase) in trading products - assets (liabilities)	(683)	(341)
Decrease in trade date accrual	142	(56)
Decrease/increase in assets/liabilities for margin transaction	(29,533)	33,138
Decrease (increase) in loans secured by securities	7,239	3,208
Decrease/increase in advance paid/deposits received	(28,027)	19,042
Increase (decrease) in borrowings secured by securities	(10,715)	(5,550)
Increase (decrease) in guarantee deposits received	(10,046)	1,257
Decrease (increase) in short-term guarantee deposits	634	(257)
Other, net	(117)	(836)
Subtotal	(7,451)	43,832
Interest and dividend income received	6,739	4,914
Interest expenses paid	(545)	(341)
Income taxes paid	(5,363)	(3,411)
Net cash provided by (used in) operating activities	(6,620)	44,994
Cash flows from investing activities		
Purchase of property, plant and equipment	(141)	(27)
Purchase of intangible assets	(671)	(695)
Purchase of investment securities	(20)	—
Proceeds from sales of investment securities	1,016	—
Other, net	6	0
Net cash provided by (used in) investing activities	190	(722)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	5,000	(47,000)
Proceeds from long-term loans payable	—	300
Repayments of long-term loans payable	(50)	(50)
Cash dividends paid	(5,131)	(5,131)
Net cash provided by (used in) financing activities	(181)	(51,881)
Effect of exchange rate change on cash and cash equivalents	0	(0)
Net increase (decrease) in cash and cash equivalents	(6,611)	(7,609)
Cash and cash equivalents at beginning of period	35,406	29,865
Cash and cash equivalents at end of period	1 28,795	1 22,256

Notes

Notes - Additional information

The Company has applied "Revised Implementation Guidance on Recoverability of Deferred Tax Assets" (ASBJ Guidance No.26, March 28, 2016) from the three months ended June 30, 2016.

Notes - Quarterly statement of cash flows

1 Reconciliation of ending balance of cash and cash equivalents with account balances per balance sheet

(Millions of Yen)

	Six months ended September 30,2015	Six months ended September 30, 2016
Cash and deposits	10,545	18,906
Money held in trust	19,450	5,150
Money held in trust whose purpose is to segregate guarantee deposits received	(1,200)	(1,800)
Cash and cash equivalents	28,795	22,256

Notes - Equity

(Six months ended September 30, 2015)

1. Dividend payment

Date of resolution	Ordinary general meeting of shareholders held on June 28, 2015
Type of shares	Common stock
Amount of dividend payment	5,135 million yen
Dividends per share	20 yen
Date of record for dividends	March 31, 2015
Effective date	June 29, 2015
Source of dividends	Retained earnings

2. Dividends for which effective date is after September 30, 2015

Date of resolution	Board of directors' meeting held on October 26, 2015
Type of shares	Common stock
Amount of dividend payment	6,418 million yen
Dividends per share	25 yen
Date of record for dividends	September 30, 2015
Effective date	November 24, 2015
Source of dividends	Retained earnings

(Six months ended September 30, 2016)

1. Dividend payment

Date of resolution	Ordinary general meeting of shareholders held on June 26, 2016
Type of shares	Common stock
Amount of dividend payment	5,135 million yen
Dividends per share	20 yen
Date of record for dividends	March 31, 2016
Effective date	June 27, 2016
Source of dividends	Retained earnings

2. Dividends for which effective date is after September 30, 2016

Date of resolution	Board of directors' meeting held on October 27, 2016
Type of shares	Common stock
Amount of dividend payment	3,338 million yen
Dividends per share	13 yen
Date of record for dividends	September 30, 2016
Effective date	November 24, 2016
Source of dividends	Retained earnings

Notes - Segment information, etc.

(Segment information)

Disclosures on segment information have been omitted, as the business of the Company consists of only a single segment of online brokerage service.

Notes - Financial instruments

No relevant items.

Notes - Securities

No relevant items.

Notes - derivatives

No relevant items.

Notes - Per share information

The amounts of basic earnings per share and diluted earnings per share with their respective bases of calculation information are as follows:

Items	Six months ended September 30, 2015	Six months ended September 30, 2016
(1)Basic earnings per share (Yen)	33.59	19.89
(Calculation basis)		
Net income (Millions of Yen)	8,625	5,105
Net income not attributed to common stock (Millions of Yen)	—	—
Net income attributed to common stock (Millions of Yen)	8,625	5,105
Average number of shares of common stock outstanding (Shares)	256,731,457	256,731,388
(2)Diluted earnings per share (Yen)	33.59	19.88
(Calculation basis)		
Net income on the statements of income (Millions of Yen)	—	—
Increase of common stock (Shares)	49,747	82,927
Significant changes in the residual securities which are not considered in the calculation of diluted earnings per share	—	—

Notes - Significant events after reporting period

No relevant items.

2 Other information

At the meeting held on October 27, 2016, the board of directors of the Company resolved to distribute interim dividends with record date dated September 30, 2016. The details are as follows.

Amount of dividend payment	3,338 million yen
Dividend paid per share	13 yen
Effective date	November 24, 2016

2 Information about company which provides guarantee to reporting company

No relevant items.

Note: The Original Quarterly Securities Report includes the quarterly review by PricewaterhouseCoopers Aarata LLC for the quarterly financial statements for the three months ended September 30, 2016 and for the six months ended September 30, 2016.